

HOUSE BILL 908

C2, R7

1lr1723

By: **Delegate Stein**

Introduced and read first time: February 11, 2011

Assigned to: Environmental Matters

Committee Report: Favorable

House action: Adopted

Read second time: March 8, 2011

CHAPTER _____

1 AN ACT concerning

2 **Motor Vehicles – Leased Vehicles – Advertising Practices**

3 FOR the purpose of prohibiting a person who leases vehicles to lessees from failing to
4 include certain charges in calculating the base lease payment shown in an
5 advertisement for a leased vehicle, or from advertising to the general public a
6 capitalized cost reduction to a lessee unless the capitalized cost reduction is
7 offered to all potential lessees; clarifying that certain provisions of law apply to
8 an advertisement for a leased vehicle; and generally relating to advertising
9 practices for a person who leases vehicles.

10 BY repealing and reenacting, without amendments,
11 Article – Commercial Law
12 Section 14–2001(a) through (d)
13 Annotated Code of Maryland
14 (2005 Replacement Volume and 2010 Supplement)

15 BY repealing and reenacting, with amendments,
16 Article – Commercial Law
17 Section 14–2003
18 Annotated Code of Maryland
19 (2005 Replacement Volume and 2010 Supplement)

20 BY repealing and reenacting, with amendments,
21 Article – Transportation
22 Section 15–313(c)

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike-out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 Annotated Code of Maryland
2 (2009 Replacement Volume and 2010 Supplement)

3 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
4 MARYLAND, That the Laws of Maryland read as follows:

5 **Article – Commercial Law**

6 14–2001.

7 (a) In this subtitle the following words have the meanings indicated.

8 (b) (1) “Adjusted capitalized cost” means the amount which serves as the
9 basis for determining the base lease payment, computed by subtracting from the
10 capitalized cost any capitalized cost reduction.

11 (2) “Adjusted capitalized cost” is amortized during the lease term to
12 the estimated residual value by the application of a portion of each scheduled lease
13 payment.

14 (c) (1) “Capitalized cost” means the amount which, when reduced by the
15 amount of the capitalized cost reduction, equals the adjusted capitalized cost.

16 (2) “Capitalized cost” shall include all items that are capitalized in the
17 lease and, after the application of the capitalized cost reduction, amortized by the
18 scheduled lease payments over the term of the lease.

19 (3) “Capitalized cost” shall include to the extent capitalized and
20 amortized as set forth in paragraph (2) of this subsection:

21 (i) Taxes, registration, license, acquisition, administration,
22 assignment, and other similar fees;

23 (ii) Charges for insurance, an extended warranty, mechanical
24 repair contract, service contract, vehicle maintenance agreement, and any other
25 similar charge;

26 (iii) Charges for a waiver of the contractual obligation to pay the
27 gap amount;

28 (iv) Charges for accessories and installation of accessories;

29 (v) Charges for delivering, servicing, repairing, or improving the
30 vehicle; and

31 (vi) Charges for other goods, services, and benefits incidental to
32 the consumer lease transaction.

1 (4) "Capitalized cost" also shall include, to the extent capitalized and
2 amortized as set forth in paragraph (2) of this subsection, with respect to a vehicle or
3 other property traded-in in connection with a lease, the unpaid balance of any amount
4 financed under an outstanding vehicle loan agreement or vehicle retail installment
5 contract or the unpaid portion of the early termination obligation under any lease or
6 other obligation of the lessee.

7 (d) (1) "Capitalized cost reduction" means any payments made by cash,
8 check, rebates, or similar means that are in the nature of down payments made by the
9 lessee and any net trade-in allowance granted by the lessor at the inception of the
10 consumer lease for the purpose of reducing the capitalized cost.

11 (2) "Capitalized cost reduction" does not include any base lease
12 payments due at the inception of the lease or all of the lease payments if they are all
13 paid at the inception of the lease.

14 14-2003.

15 (a) A person who leases vehicles to lessees may not:

16 (1) Make any false, falsely disparaging, or misleading oral or written
17 statement, visual description, or other representation of any kind that has the
18 capacity, tendency, or effect of deceiving or misleading a consumer or lessee;

19 (2) By any means advertise or offer to the public any motor vehicle
20 without intent to lease it as advertised or offered; [or]

21 (3) Misrepresent a lease of a motor vehicle as a sale;

22 (4) **FAIL TO INCLUDE ANY DEALER PROCESSING OR FREIGHT**
23 **CHARGES IN DETERMINING THE ADJUSTED CAPITALIZED COST USED TO**
24 **CALCULATE THE BASE LEASE PAYMENT SHOWN IN AN ADVERTISEMENT FOR A**
25 **LEASED VEHICLE; OR**

26 (5) **ADVERTISE TO THE GENERAL PUBLIC A CAPITALIZED COST**
27 **REDUCTION TO THE LESSEE UNLESS THE CAPITALIZED COST REDUCTION IS**
28 **OFFERED TO ALL POTENTIAL LESSEES.**

29 (b) (1) Except as allowed by paragraph (2) of this subsection, in offering to
30 allow a lessee to cure a default by entering into a new lease for the same motor
31 vehicle, a lessor may not include in the new lease any material provision that is less
32 favorable to the lessee than the provisions of the original lease.

33 (2) A lessor may include in a lease under paragraph (1) of this
34 subsection an increase in one or more of the following:

- 1 (i) The security deposit;
- 2 (ii) The down payment paid to the lessor; or
- 3 (iii) The lease payments, so long as the total of scheduled lease
- 4 payments over the term of the new lease does not exceed the total of scheduled lease
- 5 payments under the original lease.

Article – Transportation

7 15–313.

8 (c) **(1)** A dealer or an agent or employee of a dealer:

9 **[(1)] (I)** May not state the purchase price of a vehicle in an
10 advertisement unless the price is the full delivered purchase price of the vehicle,
11 excluding only taxes, title fees, and any freight or dealer processing charge disclosed in
12 accordance with § 15–311.1 of this subtitle; and

13 **[(2)] (II)** Shall print the full delivered purchase price in a vehicle
14 advertisement in the largest font used in the advertisement to provide any
15 information related to the price of the vehicle.

16 **(2) THE ADVERTISEMENT OF A LEASED VEHICLE BY A DEALER IS**
17 **GOVERNED UNDER TITLE 14, SUBTITLE 20 OF THE COMMERCIAL LAW**
18 **ARTICLE.**

19 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
20 October 1, 2011.

Approved:

Governor.

Speaker of the House of Delegates.

President of the Senate.